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CENTRAL INTELLIGENCE AGENCY
INFORMATION REPORT

COUNTRY Guatemala

SUBJECT Data on Bag Factories; Failure of
Kenaf Production

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(BY SOURCE)

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SOURCE US national, owner of two coffee plantations in Guatemala and resident of Guatemala
since 1940.

He is a graduate of a large eastern university and is married to a US citizen. He
and his wife speak fluent Spanish and he is believed to be well qualified to answer
questions in regard to the economy of Guatemala.

1. Location and Output of Bagging and Cordage Fibers in Guatemala

There are two principal factories for making bags in Guatemala. One is in Cobán. Here they use maguey and produce about one hundred thousand bags a year. A man by the name of Torroblate is the owner. The second factory is smaller and produces about 50 thousand bags a year. It is called "Aica" and is owned by Roberto Fanjul, formerly the Minister of Economy. There is a tax of US\$.50 a kilo for importing bags and a tax of US\$.50 a bag to export them. The idea behind this tax is to protect the local industry. However, the tax was imposed by Roberto Fanjul as the Minister of Economy on the pretext of helping the industry, whereas, in fact, he himself is making a fat profit out of it.

A government mill is being constructed near Guatemala City and is expected to be completed around 20 Oct 54. Here, fiber machinery has been imported from Northern Ireland. Fanjul is also involved in this and he is making every effort to get the farmers (agraristas) to grow a fiber called kenaf to sell to the factory. This will tie in with the government agrarian program. In my opinion, this effort to get the agraristas to grow kenaf will fail, because it is very difficult to harvest kenaf and efforts to decorticate it have failed in the past. The agraristas will probably continue to grow corn and beans which is easier for them to do. The larger planters don't want to grow kenaf because it is so difficult to harvest and because of the experience two engineers had who put up a lot of money for raising kenaf and failed. These men were Prado Velez and a man called Jacob Stahl who is a German refugee. These two men borrowed money from the Instituto de Fomento de Producción (Infop) and rented five hundred acres from the United Fruit Company in Tiquisate in 1952. They planted this five hundred acres with kenaf which grew well, but when it came time to harvest it, they had labor troubles and lacked the proper machinery, and as a result, lost most of the crop. Shortly afterward, the land was expropriated by the government and they were forced out, still owing money to Infop. Two other men, Colonel Fred Sherwood who is a former US Air Attache in the Embassy there, and Willard Hodgson, have lost money also in attempting to harvest kenaf. This has demoralized any effort on the part of others to invest any money in the growing of kenaf.

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The purpose of the Guatemalan Government in building a new factory was so that they would be able to produce enough bags to take care of coffee production. This would mean the production of about one million bags a year which is many times more than can be produced at the present time. Most of the bags are now imported from India.

2. Land Reform Program

I believe there was a justification for the land reform program in the case of the largest land owners, such as Carlos Herrera and Company and the Ibarguens. However, the reform has been too drastic and it has affected not only the large land owners, but also the small ones who are trying to do something with their land. It is especially unfair to the United Fruit Company and they have lost about two hundred thousand acres which they were keeping in reserve for the rotation of the banana crop. Bananas have to be rotated every eight to ten years. These reforms will reduce agricultural production drastically in so far as coffee and bananas are concerned. It will also reduce the production of meat, because the cattle owners have had a lot of trouble with the government in keeping their pastures and eventually there will not be adequate pasture land and cattle production will fall off. There will probably be an increase in production of corn and beans. There is an over supply of labor, because the larger land owners are fed up and demoralized by the government's action and they are not working their haciendas.

3. Need for the New Port at Santo Tomás

The building of the port at Santo Tomás was ill-conceived and is the result of nationalism plus hatred for the United Fruit Company and for the US. The money would be much better spent on other roads, in my opinion, such as the Carretera Internacional del Pacifico (Cipa), which runs from Ayutla to Escuintla, and the Highland Road, which runs from the Mexican border to Huehuetenango. The port of Santo Tomás and the Carretera al Atlantico were unnecessary, in my opinion, compared to Cipa and the Highland Road. Millions of dollars are being poured into the construction of this Carretera al Atlantico, which runs from East to West through swamps and over mountains, and the government may not be able to finish it because of the difficulties of construction. I have talked to people in Guatemala who think that the government is pushing the East-West road since it would help the USSR in the case of invasion, whereas the government is against completing the Cipa and the Highland Road, which run from North to South, since it would help the US. The Atlantic Road will take about another six years to complete and the government may run out of money before that time.

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